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FM AMEMBASSY CARACAS
TO RUEHC/SECSTATE WASHDC 3339
INFO RUEHHH/OPEC COLLECTIVE
RUEHAC/AMEMBASSY ASUNCION 1019
RUEHBO/AMEMBASSY BOGOTA 8014
RUEHBR/AMEMBASSY BRASILIA 6160
RUEHLP/AMEMBASSY LA PAZ 2910
RUEHPE/AMEMBASSY LIMA 1193
RUEHSP/AMEMBASSY PORT OF SPAIN 3733
RUEHQT/AMEMBASSY QUITO 3007
RUEHSG/AMEMBASSY SANTIAGO 4137
RUEHDG/AMEMBASSY SANTO DOMINGO 0665
RHEHNSC/NSC WASHDC
RHEHAAA/WHITEHOUSE WASHDC
RHEBAAA/DEPT OF ENERGY
RUCPDOG/DEPT OF COMMERCE
RUEATRS/DEPT OF TREASURY
RUMIAAAA/HQ USSOUTHCOM MIAMI FL

C O N F I D E N T I A L SECTION 01 OF 02 CARACAS 000853

SIPDIS

ENERGY FOR CDAY AND ALOCKWOOD, DOE/EIA FOR MCLINE
HQ SOUTHCOM ALSO FOR POLAD
TREASURY FOR RJARPE
COMMERCE FOR 4332/MAC/WH/JLAO
NSC FOR RKING

E.O. 12958: DECL: 07/02/2019

TAGS: [EPET](#) [EINV](#) [ENRG](#) [ECON](#) [VE](#)

SUBJECT: GULF OF VENEZUELA OFFSHORE GAS EXPLORATION NOT
PRODUCING EXPECTED RESULTS

REF: A. (A) 05 CARACAS 2807

[1](#)B. (B) CARACAS 239

Classified By: Economic Counselor Darnall Steuart, for reasons
1.4 (b) and (d).

[1](#)1. (C) SUMMARY: Chevron completed drilling an exploratory offshore well in the Cardon III block in the Gulf of Venezuela but plans to plug and abandon the well. While gas was found, the amount was deemed non-commercial. After months of setbacks and technical challenges, Russia's Gazprom continues drilling an exploratory well in the Gulf of Venezuela, s Urumaco I block, but there are rumors amongst service companies that it is abandoning the project. International companies are drilling or plan to drill two other exploratory wells as part of the Rafael Urdaneta offshore natural gas project. Dependent on the outcome of these next two wells, the Rafael Urdaneta exploration project could represent a serious setback in the GBRV's plans to increase natural gas production. END SUMMARY.

[1](#)2. (C) On June 8, Wes Lohec (strictly protect throughout), Chevron Managing Director for Latin America, told PetAtt and visiting Washington energy analyst that Chevron was in the process of plugging and abandoning its offshore exploratory well in Cardon III (part of the Rafael Urdaneta offshore exploration project) that was drilled with the Ensco 68 rig. He stated that it was not a dry hole, but the natural gas discovered was not in sufficient quantities to be commercial. Tidewater Vice President Gerry Kehoe (strictly protect throughout) confirmed separately that Chevron found gas at 7,400 feet. According to a Chevron natural gas manager, the U.S. firm never intended to develop the field. (NOTE: During the 2005 Rafael Urdaneta initial bid round Chevron was awarded an exploration license for the Cardon III block (with a bid of USD 5.6 million) and Gazprom was awarded exploration licenses for the Urumaco I block (with a bid of USD 15.2 million) and Urumaco II block (with a bid of USD 24.2 million). The Rafael Urdaneta project was intended to

produce natural gas for domestic consumption. Colombia is currently exporting natural gas to Western Venezuela; the GBRV's long-term plans have held that Venezuela would start to export gas to Colombia in 2012. See REFTELS)

¶3. (C) According to Kehoe, Gazprom intended to shut down its offshore drilling operation in the Urumaco block without completing its well. The Scorpion-owned drill rig was originally contracted for three months to drill two wells, one well in each of the Gazprom two blocks, according to industry press. Eight months later and after problems with drill strings spinning off (leading to fishing operations), Gazprom reportedly had decided to cut its losses and cease the operation. Gazprom had notified service companies operating on this contract of its intentions. In contrast, the drilling manager for one of the other exploratory wells told PetAtt that Gazprom was not shutting down its drill program, but that this type of rumor was widespread due to its on-going difficulties.

¶4. (SBU) Two further exploratory wells in the Rafael Urdaneta project are underway or planned. Repsol and ENI are currently drilling an exploratory well in the Cardon IV block. Once the ENSCO 68 rig completes that well, it is scheduled to drill an exploratory well for Teikoku and Petrobras in the Moruy II block.

¶5. (C) COMMENT: Chevron's intentions might have been to explore the geology and potential natural gas resources of this part of the Gulf of Venezuela that is located about 300

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kilometers from producing gasfields it operates off Colombia's La Guajira Peninsula. The GBRV's plans to export natural gas to Colombia from Western Venezuela might come to nothing if the next two exploration wells are declared noncommercial. Post will continue to monitor developments in the Rafael Urdaneta blocks. END COMMENT.
DUDDY